

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

m

W-02472A
Mescal Lakes Water Systems, Inc.
P.O. Box 85160
Tucson, AZ 85754

RECEIVED

ARIZONA CORP COMMISSION
Director Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2006
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FOR COMMISSION USE

ANN 04	06
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PROCESSED BY:

4-307 RF

SCANNED

COMPANY INFORMATION

Company Name (Business Name) Mescal Lakes Water Systems, Inc.		
Mailing Address 2102 N. Forbes, #107		
(Street)		
Tucson	AZ	85745
(City)	(State)	(Zip)
520-624-4404	520-792-0377	
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		
Local Office Mailing Address same as above		
(Street)		
(City)	(State)	(Zip)
Local Office Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		

MANAGEMENT INFORMATION

Management Contact: Southwestern Utility Management, Inc.			
(Name)		(Title)	
2102 N. Forbes, #107	Tucson	AZ	85745
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address			
On Site Manager: Steve Siegfried			
(Name)			
2102 N. Forbes, #107	Tucson	AZ	85745
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address			

☐ Please mark this box if the above address(es) have changes or are updated since the last filing.

Statutory Agent Ezra H. Lewis			
(Name)			
2102 N. Forbes, #107	Tucson	AZ	85745
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Attorney: _____			
(Name)			
(Street)	(City)	(State)	(Zip)
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	

☐ Please mark this box if the above address(es) have changes or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to you company:

- | | |
|--|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-Op) |
| <input type="checkbox"/> Partnership (P) | <input checked="" type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-Op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|--|--|--|
| <input type="checkbox"/> APACHE | <input checked="" type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
301	Organization	104	---	104
302	Franchises	250	---	250
303	Land and Land Rights	9063	---	9063
304	Structures and Improvements	34243	5481	28762
307	Wells and Springs	70864	21769	49095
311	Pumping Equipment	65193	28109	37084
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	127325	42276	85049
331	Transmission and Distribution Mains	518147	311059	207088
333	Services	95668	37967	57701
334	Meters and Meter Installations	47627	23264	24363
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	968484	469925	498559

This amount goes on the Balance Sheet Acct. No. 108



CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)*
301	Organization	104		
302	Franchises	250		
303	Land and Land Rights	9063		
304	Structures and Improvements	34243	5%	1514
307	Wells and Springs	70864	5%	2584
311	Pumping Equipment	65193	5%	1952
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	127325	5%	4476
331	Transmission and Distribution Mains	518147	5%	10899
333	Services	95668	5%	3037
334	Meters and Meter Installations	47627	5%	1282
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	968484		25744

This amount goes on Comparative statement of Income and Expense
Acct. No. 403.



*Depreciation for 2006 is calculated on O.C.L.D. x 5%.

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 965	\$ 30283
134	Working Funds		
135	Temporary Cash Investments	186026	255099
141	Customer Accounts Receivable	33058	31251
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 220049	\$ 316633
	FIXED ASSETS		
101	Utility Plant in Service	\$ 908879	\$ 968484
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(444181)	(469925)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 464698	\$ 498559
	TOTAL ASSETS	\$ 684747	\$ 815192

COMPANY NAME Mescal Lakes Water Systems, Inc.**BALANCE SHEET (CONTINUED)**

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 7893	\$ 6737
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	46468	48490
236	Accrued Taxes	856	903
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 55217	\$ 56130
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	258847	336614
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	141573	141573
272	Less: Amortization of Contributions	(141573)	(141573)
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 258847	\$ 336614
	TOTAL LIABILITIES	\$ 314064	\$ 392744
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 100	\$ 100
211	Paid in Capital in Excess of Par Value	159638	159638
215	Retained Earnings	210945	262710
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 370683	\$ 422448
	TOTAL LIABILITIES AND CAPITAL	\$ 684747	\$ 815192

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 183586	\$ 189109
460	Unmetered Water Revenue		
474	Other Water Revenue	2750	2925
	TOTAL REVENUES	\$ 186336	\$ 192034
	OPERATING EXPENSES		
601	Salaries and Wages	\$	\$
610	Purchased Water		
615	Purchased Power	11930	13453
618	Chemicals	42	31
620	Repairs and Maintenance	3721	2801
621	Office Supplies and Expense	5896	2914
630	Outside Services	65526	75387
635	Water Testing	2621	1616
641	Rents		
650	Transportation Expense	9803	10728
657	Insurance – General Liability	3528	5995
659	Insurance – Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	491	455
403	Depreciation Expense	23963	25744
408	Taxes Other Than Income		
408.11	Property Taxes	11064	10920
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 138585	\$ 150044
	OPERATING INCOME/(LOSS)	\$ 47751	\$ 41990
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 6385	\$ 9137
421	Non-Utility Income	1033	888
426	Miscellaneous Non-Utility Income		
427	Interest Expense	(228)	(250)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 7190	\$ 9775
	NET INCOME/(LOSS)	\$ 54941	\$ 51765

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	-----			
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$ -0-	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principal	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ 34765.00

Meter Deposits Refunded During the Test Year \$ 6292.50

COMPANY NAME Mescal Lakes Water Systems, Inc.	
Name of System	ADEQ Public Water System Number (if applicable) 02-052

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-800432 (not in service)	15	80	415	8	2	1975
55-800433	5	10	1098	6	N/A	1971
55-561268	15	140	400	8	2	1997

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
7.5	4		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
20,000	1	3,000	1
50,000	1	5,000	1

See Accountants' Report.

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME	Mescal Lakes Water Systems, Inc.
Name of System	ADEQ Public Water System Number (if applicable) 02-052

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3	PVC	1,870
4	PVC	19,335
5		
6	PVC	41,630
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	488
3/4	2
1	7
1 1/2	
2	4
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

None

STRUCTURES:

770' of 6' Chain Link Fence

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: Mescal Lakes Water Systems, Inc.	
Name of System	ADEQ Public Water System Number (if applicable) 02-052

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	483	1,906	2,032	0
FEBRUARY	487	2,005	2,226	0
MARCH	493	1,822	1,779	0
APRIL	494	2,160	2,355	0
MAY	499	3,132	3,257	0
JUNE	499	2,980	3,314	0
JULY	501	2,688	2,795	0
AUGUST	501	2,400	2,732	0
SEPTEMBER	501	2,077	2,253	0
OCTOBER	501	2,200	2,328	0
NOVEMBER	501	2,178	2,297	0
DECEMBER	501	1,920	2,022	0
TOTALS →		27,469	29,390	0

What is the level of arsenic for each well on your system? 0.0055
(If more than one well, please list each separately.) 0.0066 mg/l

If system has fire hydrants, what is the fire flow requirement? N/A GPM for hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
☐ Yes ☒ No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
☐ Yes ☒ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
☐ Yes ☒ No

If yes, provide the GPCPD amount:

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Mescal Lakes Water Systems, Inc.

YEAR ENDING 12/31/2006

PROPERTY TAXES

Amount of actual property taxes paid during Calendar year 2006 was \$ 10919.96

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property tax paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT
Taxes**

RECEIVED

VERIFICATION

**STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE**

(COUNTY OF (COUNTY NAME))	
Pima	
NAME (OWNER OR OFFICIAL) Ezra H. Lewis	TITLE President
COMPANY NAME Mescal Lakes Water Systems, Inc.	

AZ CORP COMM
Director, Utilities

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE
ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING

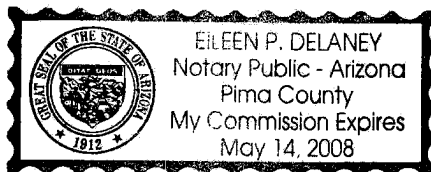
MONTH	DAY	YEAR
12	31	2006

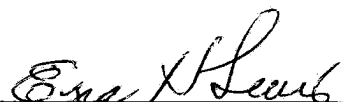
HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS. PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

**I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE
CURRENT AND PAID IN FULL.**

**I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT
AND PAID IN FULL.**





SIGNATURE OF OWNER OR OFFICIAL

520-623-5172

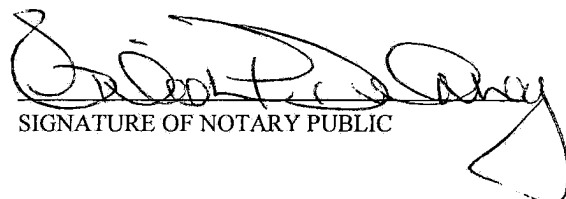
TELEPHONE NUMBER

**SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 27th DAY OF MARCH**

COUNTY NAME: PIMA
MONTH MARCH 27 2007

(SEAL)

MY COMMISSION EXPIRES May 14, 2008



SIGNATURE OF NOTARY PUBLIC

SEE ACCOUNTANTS' REPORT.

INCOME TAXES

For this reporting period, please provide the following:

Federal Taxable Income Reported	<u>S Corporation</u>
Estimated or Actual Federal Tax Liability	<u></u>
State Taxable Income Reported	<u>S Corporation</u>
Estimated or Actual State Tax Liability	<u></u>
Amount of Grossed-Up Contributions/Advances:	
Amount of Contributions/Advances	<u></u>
Amount of Gross-Up Tax Collected	<u></u>
Total Grossed-Up Contributions/Advances	<u></u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Ezra H. Lewis
SIGNATURE

3/27/07
DATE

Ezra H. Lewis
PRINTED NAME

President
TITLE

RECEIVED

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

ARIZONA CORP COMM
Director Utilities

**VERIFICATION
STATE OF**

Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)

Pima

NAME (OWNER OR OFFICIAL) TITLE

Ezra H. Lewis, President

COMPANY NAME

Mescal Lakes Water Systems, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH

12

DAY

31

YEAR

2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 203970

**(THE AMOUNT IN THE BOX ABOVE
INCLUDES \$ 11936.41
IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**

Ezra H. Lewis
SIGNATURE OF OWNER OR OFFICIAL

520-623-5172
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

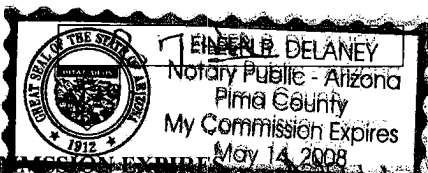
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

(SEAL)

MY COMMISSION EXPIRES

See Accountants' Report.



COUNTY NAME *Pima*
MONTH *March* 2007

Terence B. Delaney
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE**

Intrastate Revenues Only

RECEIVED

CORP COMM
Director Utilities

VERIFICATION

**STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE**

(COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Ezra H. Lewis	TITLE President
COMPANY NAME Mescal Lakes Water Systems, Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01 ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 199323.60

(THE AMOUNT IN BOX AT LEFT

INCLUDES \$ 11758.21

IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**

Ezra H. Lewis
SIGNATURE OF OWNER OR OFFICIAL

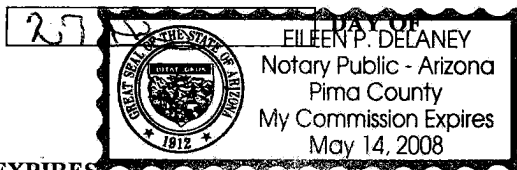
520-623-5172
TELEPHONE NUMBER

**SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS**

(SEAL)

MY COMMISSION EXPIRES

See Accountants' Report



NOTARY PUBLIC NAME EILEEN P. DELANEY	
COUNTY NAME PIMA	
MONTH MARCH	2007

Eileen P. Delaney
SIGNATURE OF NOTARY PUBLIC

HOLM, HESTAND & VALENZUELA, CPAS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3131 NORTH COUNTRY CLUB ROAD, SUITE 109

TUCSON, ARIZONA 85716

DOUGLAS R. HOLM, CPA
EMMA K. HESTAND, CPA
JANETTE G. VALENZUELA, CPA

TELEPHONE: (520) 326-8483
FAX: (520) 795-5191
E-MAIL: HHVCPA@EARTHLINK.NET

We have compiled the balance sheets of Mescal Lakes Water Systems, Inc. as of December 31, 2006 and 2005, and the related comparative statements of income and expense for the years then ended, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information presented in the prescribed form.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Arizona Corporation Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Holm, Hestand - Valenzuela CPAs P.C.

March 17, 2007

MESCAL LAKES WATER SYSTEMS, INC.P.O. BOX 85160
TUCSON, AZ 85754
(520) 623-5172WELLS FARGO BANK, N.A.
WWW.WELLSFARGO.COM
91-527/1221

1876

10/11/2006

PAY TO THE
ORDER OF Marsha Bonham - Cochise Co. Treasurer

\$**5,432.13

Five Thousand Four Hundred Thirty-Two and 13/100*****

DOLLARS

Marsha Bonham - Cochise Co. Treasurer

VOID AFTER 90 DAYS

MEMO:



⑈001876⑈ ⑆122105278⑆5306074245⑈

2006 FIRST HALF PAYMENT COUPON

DETACH AND RETURN WITH PAYMENT

Make check payable to:
Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

Payment in U.S. FUNDS ONLY

1

TO PAY 1ST HALF ONLY	PAY	5,362.06
TO PAY FULL YEAR TAX	PAY	10,724.12

If your mortgage company makes your property
tax payments consider this notice as a courtesy
copy for your records only.

029386090000600000536206

Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

2006 9386090006 1 00000107241200000536206

2006 FIRST HALF PAYMENT COUPON

DETACH AND RETURN WITH PAYMENT

Make check payable to:
Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

Payment in U.S. FUNDS ONLY

1

TO PAY 1ST HALF ONLY	PAY	70.07
TO PAY FULL YEAR TAX	PAY	140.14

If your mortgage company makes your property
tax payments consider this notice as a courtesy
copy for your records only.

02124156260800000007007

Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

2006 1241562608 1 00000001401400000007007

2005 SECOND HALF PAYMENT COUPON

DETACH AND RETURN WITH PAYMENT

Payment in U.S. FUNDS ONLY

Make check payable to:
Marsha Bonham
Cochise County Treasurer**Due March 1, 2006**

MESCAL LAKES WATER SYSTEM

938 60 900 6 110023

Delinquency Date Second Half Payment
Penalty for late payment is 16% per year
prorated monthly as of the 1st day of the month
for payments postmarked after 5:00 P.M.
May 1, 2006 (ARS 42-18052 and ARS 42-
18053).

TO PAY 2ND HALF

PAY

5,420.68



029386090000600000542068

Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee, AZ 85803-2778

2005 9386090000 2 00000108413600000542068

2005 SECOND HALF PAYMENT COUPON

DETACH AND RETURN WITH PAYMENT

Payment in U.S. FUNDS ONLY

Make check payable to:
Marsha Bonham
Cochise County Treasurer**Due March 1, 2006**

MESCAL LAKES WATER SYSTEMS INC

124 15 626 8 068076

Delinquency Date Second Half Payment
Penalty for late payment is 16% per year
prorated monthly as of the 1st day of the month
for payments postmarked after 5:00 P.M.
May 1, 2006 (ARS 42-18052 and ARS 42-
18053).

TO PAY 2ND HALF

PAY

67.15



021241562600800000006715

Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee, AZ 85803-2778

2005 1241562600 2 00000001343000000006715

MESCAL LAKES WATER SYSTEMS, INC.

P.O. BOX 85160
TUCSON, AZ 85754
(520) 623-5172

WELLS FARGO BANK, N.A.
WWW.WELLSFARGO.COM
91-527/1221

1750

2/9/2006

PAY TO THE
ORDER OF Marsha Bonham - Cochise Co. Treasurer

\$**5,487.83

Five Thousand Four Hundred Eighty-Seven and 83/100*****

Marsha Bonham - Cochise Co. Treasurer

DOLLARS

VOID AFTER 90 DAYS

MEMO:

⑈001750⑈ ⑆122105278⑆5306074245⑈

MESCAL LAKES WATER SYSTEMS, INC.

Marsha Bonham - Cochise Co. Treasurer

1750

Date	Type	Reference	Original Amt.	Balance Due	2/9/2006 Discount	Payment
02/08/2006	Bill	124-15-626 8	67.15	67.15		67.15
02/08/2006	Bill	938-60-900-6-0900	5,420.68	5,420.68		5,420.68
				Check Amount		5,487.83